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STATE FOR WHA/BSC, INL/LP (JIM HIDES)
EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE JUNE 9-15,
2007

REF: 06 ASUNCION 1275 AND PRECEDING

11. (C) SUMMARY:

- Wasmosy Case Nearing Acquittal
- Proposed Reorganization of the Air Force
- Banana Blockade
- Tigo Widens Coverage
- TFCA Group Has First Meeting

WASMOSY CASE NEARING AN ACQUITTAL

12. (U) Former President Juan Carlos Wasmosy may soon be acquitted of his 2002 fraud conviction (for authorizing irregular financial relief for a local bank that did not meet the minimum requirements for that assistance). According to tribunal sources at least six of the Court's nine justices are prepared to voted in Wasmosy's favor. The Supreme Court is dominated by judges aligned with the ruling Colorado Party, many of whose key leaders object to reinstatement of Wasmosy's conviction. Wasmosy's four year prison sentence was overturned in appellate court in September of 2004. Prosecutors from the Economic Crimes and Corruption Unit appealed the decision before the Supreme Court two and a half years ago. The possible acquittal and the delay in deliberation demonstrate the courts' failure to deliver and stand firm on a guilty verdict, much less hold former political leaders responsible for their corruption. (reftel)

EFFORTS TO REORGANIZE THE AIR FORCE

13. (C) The Air Force has drafted a proposal to change its organizational structure in line with Commanding General Bernardino Soto Estigarribia's overall reorganization plan for all military forces. The proposal combines four of the current five major subordinate commands to form two new commands. The First Air Brigade and the Airborne Brigade, re-designated the Special Operations Battalion would fall under a new Operations Command. Meanwhile the Logistics Brigade and the Regional Air Command would be re-designated Directorates and make up a new Administrative Support Command. The proposed reorganization is not yet approved and

is heavily dependent on Soto's overall plan. The other services are developing their own reorganization proposals to be submitted with Soto's project to reorganize the military and reduce its force structure. Soto's initial effort to push through a new military organization law seems to have lost some steam and has not yet made it out of Military Forces Command to the Ministry of Defense. Given the body politic's focus on elections, Soto may sense the time is not appropriate to forward his proposal and may be waiting for a more opportune time to push it forward.

BANANA BLOCKADE

¶4. (U) Argentine farmers blocked a crucial route for Paraguayan banana shippers this week leaving almost USD 3 million of bananas at risk of rotting. Argentine farmers disregarded Mercosur agreements by obstructing a road into the Formosa province of northern Argentina. The Argentine farmers stated Paraguayan bananas had an unfair advantage in the Argentine market. Paraguayan shippers pushed for an urgent response by officials and began planning their own response if both governments could not resolve the situation. Paraguayan and Argentine officials met in Argentina June 13 to address the concerns raised and to adopt new measures to prevent future problems. The Argentine Government reportedly offered free transit of the shipments that were delayed and bound for the Buenos Aires market.

TIGO WIDENS COVERAGE

¶5. (U) Tigo, a cellular telephone company, announced this week its plan to expand into 22 new locations in Paraguay throughout 2007. Tigo already provides cellular and internet services in 180 cities and towns in the country. General

Manager Gloria Oretaga de Arza commented to the press that Tigo has invested in improving innovations related to cellular technology and internet communications this year. They have improved their internet capacity in Ciudad del Este and enhanced broadband services in Caragatatay and Gral. Delgado. They plan to provide Wimax to the cities of President Franco and Pedro Juan Horsemán. (NOTE: Tigo is a part of Millicom International Cellular. END NOTE.)

TFCA GROUP HAS FIRST MEETING

¶6. (U) The Tropical Forest Conservation Act (TFCA) board held its first informal meeting June 7. The objective of the board is to provide oversight of activities under the agreement signed between the USG and the GOP in 2006. Six of the seven board members were present including GOP and USG representatives. During the meeting, the members discussed the hiring of an executive director to carry out board activities, completion of the board's by-laws, and transfer of funds from the escrow account to the board's fiscal agent. (NOTE: President Duarte has not signed a presidential decree naming all of the Paraguayan board members. Once the presidential decree is signed the board will conduct its first official meeting. END NOTE.)

FITZPATRICK